



Independent Assurance Report

To the Management of Asahi Pretec Corp.

We were engaged by Asahi Pretec Corp. (the “Company”) to undertake a reasonable assurance engagement of its LPPM Responsible Platinum and Palladium Guidance Compliance Report (the “Compliance Report”) for the year ended 31 March 2022. The assurance scope consists of the Company’s Compliance Report.

The Company’s responsibility

The management of the Company is responsible for the preparation and fair presentation of its Compliance Report in accordance with the requirements of the LPPM Responsible Platinum/Palladium Guidance (the “Guidance”). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Company’s Compliance Report.

Our responsibility

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and the guidance set out in the LPPM Responsible Sourcing Programme - Third Party Audit Guidance (the “Audit Guidance”).

This report has been prepared for the Company for the purpose of assisting the management in determining whether the Company has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Company in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Company for our work, or for the conclusions we have reached in the assurance report.

Inherent limitations

Non-financial information, such as that included in the Company’s Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the Guidance may differ. It is important to read the Company’s Responsible Precious Metals Management Policy available on the Company’s website: www.asahipretec.com/responsible-sourcing/.

Conclusion

In our opinion, the Company’s Compliance Report for the year ended 31 March 2022, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein is in accordance with the requirements of the Guidance.

We conducted alternative procedures to site visits to the Saitama plant and the Amagasaki plant consisting of making inquiries, reviewing materials including documented evidence, and interviewing relevant personnel remotely using a video conference platform. This had no impact on the assurance opinion.

Independence, quality control and competency statement

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
11 July 2022

LPPM Responsible Platinum and Palladium Guidance Compliance Report

The LPPM Responsible Platinum and Palladium Guidance (the “LPPM Guidance”) has been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarizes how Asahi Pretec Corp. (“Asahi Pretec”) has complied with the requirements of the LPPM Guidance.

Table 1: Refiner’s details

Refiner’s name:	Asahi Pretec Corp.
Location:	Sapia Tower 11F, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Reporting year-end:	March 31, 2022
Date of Report:	June 30, 2022
Senior management responsible for this report:	Hiroyuki Nakanishi, Representative Director and President

Asahi Pretec’s evaluation

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

Asahi Pretec has fully complied with Step 1: Establish strong company management systems

1. Adopt a company policy regarding due diligence for supply chains of platinum and palladium

We have adopted due diligence policy and procedures for supply chain of precious metals. In 2012, we completed and started applying the Basic Policies for Handling of Conflict Metal, which was consistent with the model set out in the Annex II of the OECD Due Diligence Guidance, based on our corporate philosophy “Asahi Way”.

In 2018, we revised our policy and renamed it the “Responsible Precious Metals Management Policy” (the “Policy”) to accommodate requirements of the LBMA Guidance. In 2019, we revised the Policy to accommodate requirements of the LPPM Guidance. In 2020, we revised the Policy to accommodate requirements for environmental and sustainability responsibility in the LBMA Guidance. In 2021, we revised the Policy in accordance with the update for the definition of prohibited transaction and high-risk supply chain of precious metals.

This sets out our responsibility for promoting responsible precious metals management in the precious metals supply chain in order to avoid contributing to conflict, human rights abuses, money laundering, financing terrorists, corruption, fraudulent transactions, and non-compliance with environmental and sustainability legal requirements.

2. Set up of an internal management structure to support supply chain due diligence

We have set up an internal management system to support supply chain due diligence in 2012. This internal system has been set up to define the governance, roles and responsibilities, internal review, communication and senior management review as per the adopted policy.

The Compliance Officer, who is a chairman of the Responsible Precious Metals Management Committee (the “Committee”), has been assigned to manage the process of due diligence and report directly to senior management. The Compliance Officer is tasked with setting up due diligence procedures and providing training to all relevant employees. The General Managers of Business Unit are responsible for counterparty/supplier due diligence. The Site Managers of Plant are responsible for traceability.

We communicate the Policy, verbally or in writing, to our counterparties/suppliers to obtain their understanding of, and consent to, the Policy.

In addition, we publish a newsletter and explain to our counterparties/suppliers why we need to confirm that they and their materials to be supplied have no connection with conflict, human rights abuses, money laundering, financing terrorists, corruption, fraudulent transactions, and non-compliance with environmental and sustainability legal requirements.

In the internal review we conducted in fiscal 2021, we confirmed that we performed supply chain due diligence, provided training to employees, and maintained records of due diligence, in accordance with our policies and rules.

3. Establish a strong internal system of due diligence, controls and transparency over platinum and palladium supply chain, including traceability and identification of other supply chain actors

Our due diligence process is carried out on a risk-based approach and follows our requirements as outlined in the Responsible Precious Metals Management Manual (the “Manual”).

We have established our criteria for risk categories based on the suppliers’ industry sector and nature of business, country of origin, quantity of supply, and systematically apply them to all our counterparties/suppliers. We collect such information through the KYC Form, shipping documents and credit research service, etc.

In order to determine conflict, human rights abuses, money laundering, financing terrorists, corruption, fraudulent transactions, and non-compliance with environmental and sustainability legal requirements, we use several reliable and independent information providers.

We have established the list of countries having a potential risk of conflict, governance, human rights and money laundering (the “Amber List”), based on information available from external sources. The Amber List includes the countries on the indicative, non-exhaustive list of Conflict Affected and High-Risk Areas published by the EU (the “EU CAHRAs List”), and the Democratic Republic of the Congo and nine surrounding countries listed in Section 1502 of the US Dodd-Frank Act (the “DRC and surrounding countries”). We shall review information available from external sources regularly and revise the Amber List if necessary.

We have defined the EU CAHRAs List and countries/areas identified by the Committee as CAHRA.

Any transaction with counterparty/supplier or material originating from the Amber List countries except for the DRC and surrounding countries shall be approved by the Compliance Officer. Any material originating from the DRC and surrounding countries is prohibited in accordance with the Manual.

We have adopted a material receipt and inspection process. All the materials collected by the persons in charge or delivered by the suppliers shall be weighted and identified with the transactional details (such as transaction number, customer name, type of material) shared with our Sales team and/or our Plants receiving the materials before we process the materials containing precious metals.

All due diligence processes are conducted by the Business Unit (Administration and Sales team) and/or the Committee members, and the results are reviewed by the Compliance Officer and senior management.

In fiscal 2021, in order to ensure the implementation of our due diligence procedures, we have provided training to all of the employees engaged in collecting, refining or producing of precious metals at Sales Offices, Plants, Business Units as of June 1, 2021, as well as the employees engaged in Administration Departments

at Head Office.

We strongly encourage a payment through official banking channels. Any cash transaction should have a rational reason and be approved in advance by the delegated person by senior management.

4. Strengthen company engagement with platinum and palladium supplying counterparties and, where possible, assist platinum and palladium supplying counterparties in building due diligence capacities

We communicate the Policy, verbally or in writing, to our counterparties/suppliers to obtain their understanding of, and consent to, the Policy. We sent KYC Forms or RPM Consent Forms to our counterparties/suppliers that were required to be consented to the Policy in accordance with our KYC procedures.

We published the newsletters and explained to our counterparties/suppliers why we need to confirm that they and their materials to be supplied have no connection with conflict, human rights abuses, money laundering, financing terrorists, corruption, fraudulent transactions, and non-compliance with environmental and sustainability legal requirements in fiscal 2021.

5. Establish a confidential grievance mechanism

A confidential grievance mechanism has been implemented to allow any employee or external stakeholder to anonymously report concerns over the supply chain of precious metals or any identified risk directly to senior management through the inquiry form on our website or a whistleblower hotline. Whenever senior management receives a grievance, it shall set up an investigation team composed of members in an impartial position.

No reports related to concerns or identified risks over the supply chain were received during fiscal 2021.

Step 2: Identify and assess risk in the supply chain

Compliance Statement with Requirement:

Asahi Pretec has fully complied with Step 2: Identify and assess risk in the supply chain

1. Identify risks in the platinum and palladium supply chain

We identify risks of the material, location and counterparty/supplier in the supply chain of precious metals. We do not accept mined materials. We only accept industrial, jewelry and dental recycled materials, and small bars of approved brands.

We consider the following materials, locations and counterparties/suppliers as “prohibited transaction”.

- Mined material
- Smuggled material
- The material originates from or has been transported through the DRC and surrounding countries
- Counterparty/supplier located in the DRC and surrounding countries
- Counterparty/supplier or their beneficial owner listed in the antisocial forces or sanctions lists
- Counterparty/supplier has connection with conflict, human rights abuses, money laundering, financing terrorists, fraudulent transactions, or environmental destruction

We consider the following materials, locations and counterparties/suppliers as “high-risk supply chain”.

- The material originates from or has been transported through CAHRAs
- Counterparty/supplier located in CAHRAs
- Counterparty/supplier in higher risk industry such as arms, gaming and casino industry, etc.

- Counterparty/supplier or their beneficial owner classified as PEPs

No business is allowed when a prohibited transaction is identified. No business is allowed when a high-risk supply chain is identified and when there are no measures in place to mitigate the risks.

2. Assess risks in light of the standards of their supply chain due diligence system

We assess risks of the counterparties/suppliers and materials in the supply chain of precious metals according to the material type-specific criteria we specify. In order to assess risks for our supply chain, we use several reliable and independent information providers. All risk assessments are conducted by the Business Unit (Administration and Sales team) and/or the Committee members. All risk assessments are reviewed by the Compliance Officer and senior management.

Any transaction with counterparty/supplier or material originating from the Amber List countries except for the DRC and surrounding countries shall be approved by the Compliance Officer.

When a high-risk supply chain is identified, the General Manager of Business Unit in charge shall conduct an enhanced due diligence in order to determine whether to terminate or continue the business relationship. Identified risks shall be reported to and approved by the Compliance Officer and senior management.

We constantly monitor all transactions which take place through the course of the entire business relationship and we conduct appropriate scrutiny and monitoring of the counterparties/suppliers on a regular basis.

For the reporting year ended March 31, 2022, no prohibited transaction was identified and one on-site visit as a part of enhanced due diligence has been conducted for the supplier located in CAHRA.

3. Report risk assessment to designated senior management

The Compliance Officer is responsible for monitoring and reviewing the effectiveness of our management system, and is required to report at least once a year the result to senior management. The Compliance Officer is whenever required to report any information related to prohibited transaction or high-risk supply chain of precious metals to senior management.

The Compliance Officer reported the results of the due diligence for the reporting year ended March 31, 2022, to senior management in May 2022.

Step 3: Design and implement a management strategy to respond to identified risks

Compliance Statement with Requirement:

Asahi Pretec has fully complied with Step 3: Design and implement a management strategy to respond to identified risks

1. Devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk

We determine the acceptance of the materials according to our internal management system as follows;

- (a) We shall immediately terminate business relationship with counterparty/supplier if any prohibited transactions are identified.
- (b) When a high-risk supply chain is identified, we shall suspend the transaction and conduct an enhanced due diligence in order to determine whether to terminate or continue the business relationship. We continue the transaction if we are able to mitigate the risk. We shall terminate the transaction if we are unable to mitigate the risk.

(c) When any doubt or concern of prohibited transaction or high-risk supply chain is identified, we shall suspend the transaction and conduct necessary investigation in order to determine the risk level. We shall continue the transaction if any doubt or concern of risk is not identified as the result of confirming the risk level.

2. Where a management strategy of risk mitigation that includes measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management

For the reporting year ended March 31, 2022, we identified one high-risk platinum and palladium supplier located in CAHRA. We conducted further investigate including on-site visit and adopted measures to mitigate the risks.

We did not identify any other transaction contributing to conflict, human rights abuses, money laundering, financing terrorists, corruption, fraudulent transactions, and non-compliance with environmental and sustainability legal requirements.

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Compliance Statement with Requirement:

Asahi Pretec has fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence

We engaged the services of the assurance provider, KPMG AZSA Sustainability Co., Ltd. and their Independent Assurance Report is attached hereto.

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:

Asahi Pretec has fully complied with Step 5: Report on supply chain due diligence

The Policy and this compliance report are available at <https://www.asahiprettec.com/responsible-sourcing/>.

Table 3: Management conclusion

Is the Refiner in compliance with the requirements of the Guidance for the reporting period?

Yes. In conclusion, we implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Guidance, as explained above in Table 2, for the reporting year ended March 31, 2022.

Table 4: Other report comments

If users of this report wish to provide any feedback to us with respect to this report, they can contact our Compliance Officer on pms_asahi@asahiprettec.com.



Hiroyuki Nakanishi
Representative Director and President